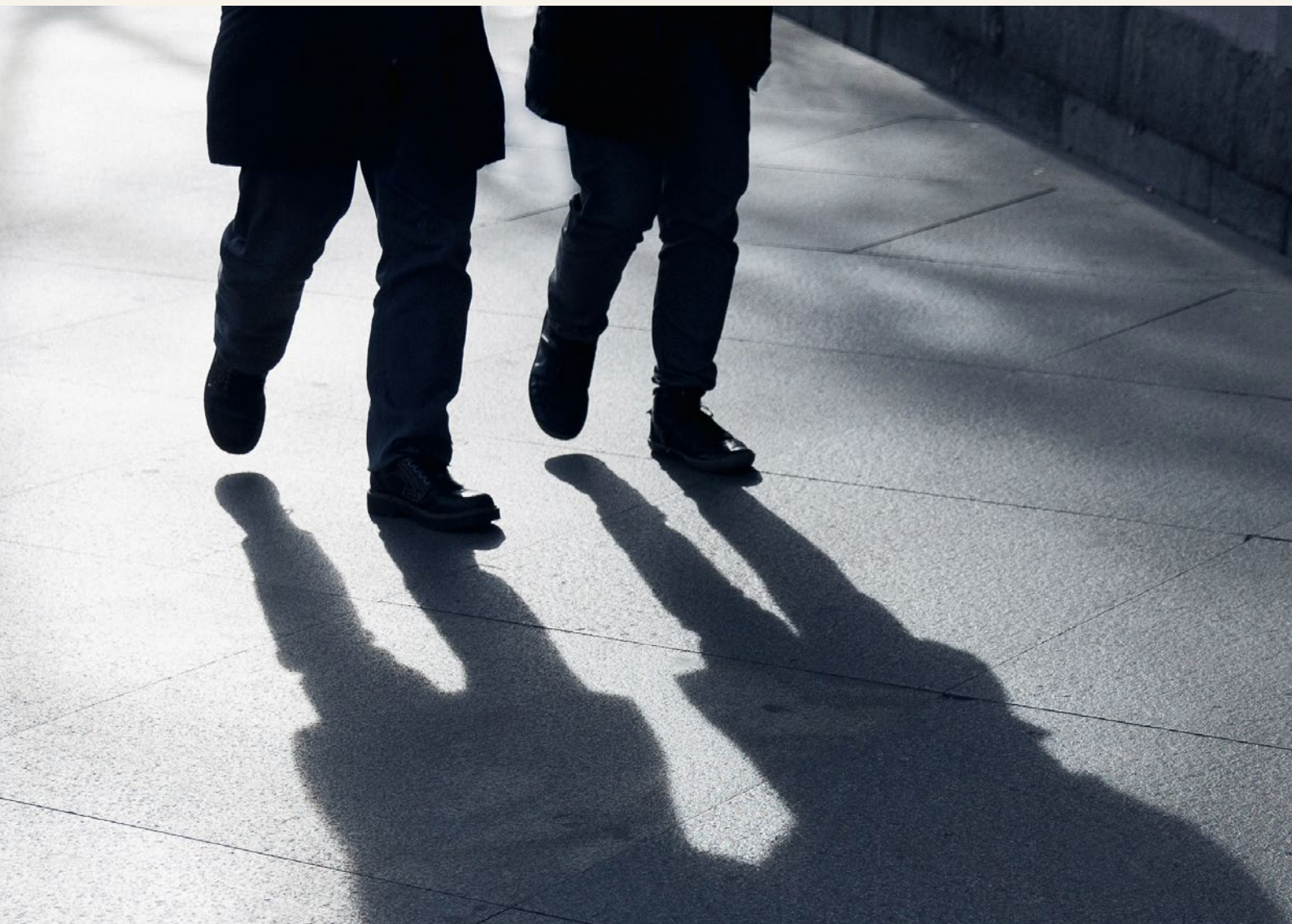


# Anti-corruption Expectations of companies



Norges Bank Investment Management manages the assets of the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As a long-term and global financial investor, we are dependent on sustainable development, well-functioning markets and good corporate governance.

Our expectation documents set out how we expect companies to manage various environmental and social matters. Our expectations are based on internationally recognised principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises and other topic-specific standards. This document serves as a starting point for our interaction with companies on anti-corruption. We expect companies to address this topic in a manner meaningful to their business model and wish to support them in their efforts.

Our expectations are primarily directed at company boards. Boards should understand the broader environmental and social consequences of company operations, taking into account the interests of relevant stakeholders. They must set their own priorities and account for the associated outcomes. Companies should pursue relevant opportunities and address significant risks. They should report financially material information to investors, and broader impacts as appropriate. Boards should effectively guide and review company management in these efforts.



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# Anti-corruption

Corruption undermines economic efficiency, disadvantages compliant companies and is detrimental to shareholder value. As a globally diversified investor, we are exposed to the risk of corruption both in entire markets and at the individual companies in which we invest. Combating corruption is a key component of corporate responsibility. We expect companies to identify and manage corruption risk, and to report publicly on their anti-corruption efforts.

Corruption remains a serious challenge for companies in most parts of the world and across all industries. Corruption exposes companies to legal and financial risk through penalties and blacklisting. In addition, corruption exposes companies, their investors and their business partners to significant reputational risk. In the long term, broadly diversified investors are likely to see reduced returns due to capital being diverted away from its most efficient allocation.

Corruption and a wider lack of the rule of law are barriers against the effective participation of countries in the global economy. Corruption and financial fraud such as money laundering are intrinsically linked. While corruption is generally committed for the purpose of obtaining private gain, money laundering is the process of concealing illicit gains generated from corrupt or criminal activity. As such, money laundering can facilitate corruption.

The UN Convention against Corruption requires states to implement anti-corruption measures. Further, the OECD Anti-Bribery Convention establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and requires signatories to take measures against the laundering of money derived from bribery. Many countries have recently reinforced their anti-



Corruption exposes companies to legal and financial risk, in addition to significant reputational risk.

corruption legislation and enhanced enforcement actions. Principle 10 of the UN Global Compact urges companies not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programmes to address it.

Companies should comply with all applicable anti-corruption laws. While anti-corruption laws and their enforcement are the responsibility of national governments, international principles for responsible business conduct recognise the important role that company boards play in setting corporate anti-corruption policy, as well as monitoring the implementation and effectiveness of anti-corruption programmes. We endorse the view that anti-corruption policy is a board responsibility.

As an investor, we analyse opportunities and risks to our investments. We expect companies to identify and manage corruption risk, including the risk of laundering money derived from corrupt activity, and to report publicly on their anti-corruption efforts. For selected companies, we use such information to assess their potential exposure to corruption risk, management and performance.



We expect companies to identify and manage corruption risk, including the risk of laundering money derived from corrupt activity, and to report publicly on their anti-corruption efforts.

## A. Establish clear policy on anti-corruption

- Boards should ensure that companies establish anti-corruption policies and procedures to prevent, identify and address corruption in the organisation. Anti-corruption policies should be informed by a comprehensive risk assessment relating to the potential for corruption in all aspects of business operations.
- Companies should ensure that anti-corruption policies and procedures are communicated to employees and business partners in a manner which demonstrates explicit and active commitment from senior management against corruption.
- Companies should regularly ensure that all business units implement anti-corruption policies appropriately and that responsibilities and authorities are assigned and communicated.
- Companies should establish a code of conduct and appropriate contractual obligations which govern their relationship with business partners, including the right to audit such parties.
- Companies in the financial sector should establish an anti-money laundering programme that includes policies and procedures to address the risk of laundering money derived from corrupt activity.



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## B. Integrate anti-corruption policy into business operations

- Companies should conduct ongoing due diligence to identify corruption risk in their business operations, including before entering new markets or new business relationships, and implement appropriate measures to prevent corruption. Companies should make reasonable efforts to identify the beneficial owners of their business partners.
- Companies should have an effective compliance function with dedicated and experienced employees, and with an independent reporting line to the board and senior management.
- Companies should provide and document appropriate and regular training on anti-corruption for all relevant employees and, where appropriate, business partners.
- Companies should have a whistleblowing mechanism that provides a separate and confidential escalation route when reporting through a line manager is not appropriate, or if the whistleblower wishes to remain anonymous. Companies should encourage a culture where employees can speak up about corruption without fear of retaliation.
- Companies in the financial sector should undertake ongoing monitoring and due diligence in relation to all business relationships and transactions. Enhanced monitoring should be undertaken for high-risk customers and transactions.



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## C. Report and engage on anti-corruption programme

- Companies should publicly disclose their anti-corruption policies and processes, including how they deal with incidents.
- Companies should disclose whether they undertake regular, independent external assurance of their anti-corruption programme, and whether the findings of such assurance are communicated to the board.
- Companies should disclose how they measure the effectiveness of the anti-corruption programme. Performance reporting should, where appropriate, use metrics that enable year-on-year comparison, in line with applicable internationally accepted reporting standards or initiatives.
- Companies should have a procedure for appropriate disclosure to relevant authorities on irregularities identified and actions taken.
- Companies should have a procedure for engaging constructively with policy makers and regulators, and be transparent about that procedure. Companies should also endeavour to engage with other businesses, industry groups, professional organisations and other stakeholders to identify and address corruption risk.



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See our website [www.nbim.no](http://www.nbim.no) for a full and updated list of our expectations on sustainability topics. We also regularly publish our perspectives on issues such as sustainability reporting and the UN Sustainable Development Goals.

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